

June 26, 1997

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Re: Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U. 97-2/3-CC

Dear Messrs. Lyne and Cope-Flanagan:

This Letter Order responds to Cambridge Electric Light Company's ("Cambridge") and Commonwealth Electric Company's ("Commonwealth") (collectively, the "Companies") (1) monitoring and evaluation ("M&E") filing ("M&E Filing") dated April 1, 1997; and (2) conservation charge ("CC") filing dated May 6, 1997 ("CC Filing"). In this Letter Order, the Department approves (1) the demand-side management ("DSM") savings estimates included in the M&E Filing; and (2) the CCs proposed by the Companies, to be effective during the period July 1, 1997 through June 30, 1998.<sup>1</sup>

Pursuant to notice duly issued, the Department conducted a public hearing at its offices on May 19, 1997. The Department granted Eastern Edison Company's Petition for leave to participate as a limited participant. The public hearing was followed by a technical conference at the Department. After the technical conference, the Department issued four sets of information

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<sup>1</sup> The Companies submitted revised proposed CCs in their response to Exh. DPU-4-1. As discussed below, it is the revised CCs that the Department is approving in this Letter Order.

requests. The Department, on its own motion, marks for identification and admits as evidence the Companies' responses to the Department's information requests.<sup>2</sup>

The Companies' M&E Filing included impact evaluations for three DSM programs: the Residential Green Saver Program, the Commercial and Industrial ("C&I") Green Saver Program, and the Conservation Voltage Regulation ("CVR") program. The Department's standard of review for DSM impact evaluations requires that, in order for a company's savings estimates to be accepted, the company must demonstrate that its impact evaluations are reviewable, appropriate, and reliable. Massachusetts Electric Company, D.P.U. 92-217-B at 6-7 (1994).

Savings estimates for the Residential Green Saver Program were based on engineering algorithms using heat transfer principles for non-lighting measures,<sup>3</sup> and engineering data combined with run-time spot metering for a sample of lighting measures (M&E Filing at 3-8, 3-21 to 3-22; Exh. DPU-1-7; Exh. DPU-2-3). Savings estimates for the C&I Green Saver Program were based on run-time metering of a stratified sample of lighting installations and end-use metering of all non-lighting installations (M&E Filing at 3-5 to 3-21). The Department finds that the methods used to calculate these savings are consistent with the methods approved by the Department for monitoring and verification of savings achieved by contractors implementing the Companies' DSM programs in Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U. 91-234-A (1993). The Department finds (1) the impact evaluations are reviewable; (2) the methods used to calculate the savings estimates are appropriate; and (3) the savings estimates are reliable. Therefore, the Department approves the savings estimates included in the M&E Filing for the Residential and C&I Green Saver programs.

The Companies' CVR impact savings estimates were based on a billing analysis of samples of treated customers (*i.e.*, customers who receive electric service from distribution feeders that received CVR treatment) and comparison groups consisting of other customers who reside in the same towns as the treated customers but whose distribution feeders did not receive CVR treatment (M&E Filing, CVR Evaluation at 3-18). The Department finds that (1) the CVR impact evaluation is reviewable; (2) the method used to calculate the savings estimates is appropriate; and (3) the savings estimates are reliable. Therefore, the Department approves the Companies' CVR savings estimates.

However, the Department is concerned with the method used by the Companies, in its calculation of CVR savings estimates, to eliminate customers from the CVR billing analyses who were identified as "outliers." The Companies, by eliminating customers from the billing analyses

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<sup>2</sup> The exhibits are marked as follows: Exh. DPU-1-1 to DPU-1-9, DPU-2-1 to DPU-2-3, DPU-3-1 to DPU-3-4, and DPU-4-1.

<sup>3</sup> Savings estimates from the installation of non-lighting measures (mostly insulation) represented 91 percent of the total Residential Green Saver savings estimates.

whose increases or decreases in post-installation energy use exceeded a certain percentage, eliminated more than twice as many customers with increases as decreases (Exh. DPU-2-1).<sup>4</sup> The Department does not specify the method the Companies should use in eliminating outliers, but directs the Companies, in future impact evaluations, to justify the methods used for deleting outliers in their sample selection.

Finally, the Department reminds the Companies of their responsibility to assess long-term persistence of savings. See Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U. 89-242/246/247, at 87 (1990). The Department encourages the Companies to undertake one or more persistence studies jointly with other electric companies during the next year. See Western Massachusetts Electric Company, D.P.U. 97-8-CC at 8 (1997).

In their CC Filing, the Companies requested approval of CCs applicable to each rate class for the period July 1, 1997 through June 30, 1998. The proposed CCs consist of three elements: (1) a reconciling adjustment of DSM costs and revenue through June 30, 1997; (2) projected expenses relating to ongoing DSM activity for the period July 1, 1997 through June 30, 1998; and (3) projected lost base revenue ("LBR") for the period July 1, 1997 through June 30, 1998, based, in part, on the savings estimates included in the M&E Filing (CC Filing at 3.A.3-4, 5.A.3-4).

On June 19, 1997, the Companies submitted revised proposed CCs ("revised CCs"). The revised CCs reflect decreases from the original proposal to the Companies' projected Demand Management Consultant expenditures for the period July 1, 1997 through June 30, 1998 (Exh. DPU-4-1). The Department has analyzed the Companies' revised CCs and finds that they have been calculated consistent with (1) the savings estimates included in the M&E Filing approved in this Order; (2) the May 5, 1997 Settlement Agreement submitted in Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U. 95-95 (Phase II), the Companies' integrated resource planning proceeding;<sup>5</sup> and (3) DSM expenditures previously

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<sup>4</sup> The Companies provided the Department with a second set of CVR savings estimates which were calculated by eliminating equal numbers of customers from the billing analyses for large increases or decreases in energy use. These savings estimates were higher than, but not statistically significantly different from, the Companies' proposed estimates (Exh. DPU-2-2).

<sup>5</sup> The May 5, 1997 Settlement Agreement was approved by the Department on June 30, 1997 concurrent with this Letter Order. The Settlement established budgets for the Companies' existing DSM programs for the period July 1, 1997 through June 30, 1998. In addition, the Settlement established budgets for a newly designed residential low-income program for the period July 1, 1997 through June 30 1998. Finally, the Settlement established a single CC decimal for all residential rate classes.

approved by the Department. In addition, the Department finds that the resultant rate impacts are acceptable. Therefore, the Department finds that the revised CCs are reasonable and approves them to be effective from July 1, 1997 through June 30, 1998. The approved CCs are listed in Table 1.

By Order of the Department,

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John B. Howe, Chairman

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Janet Gail Besser, Commissioner

cc: David A. Fazzone, Esq.

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).

TABLE 1

## CAMBRIDGE

<b>Rate Category</b>	<b>Approved CC Rate cents/KWH (1)</b>	<b>Current CC Rate cents/KWH (2)</b>
Residential Non-Heat	\$.00092	\$.00099
Residential Heat	\$.00092	\$.00057
Small General	\$.00094	\$.00217
Medium/Large General	\$.00017	\$.00052
Other	\$.00000	\$.00001

(1) Effective dates, July 1, 1997 through June 30, 1998

(2) Effective dates, July 1, 1996 through June 30, 1997

(Exh. DPU-4-1; CC Filing at 2.8)

## COMMONWEALTH

<b>Rate Category</b>	<b>Proposed CC Rate cents/KWH (1)</b>	<b>Current CC Rate cents/KWH (2)</b>
Residential Non-Heat	\$.00083	\$.00037
Residential Heat	\$.00083	\$.00162
Small General	\$.00179	\$.00347
Medium/Large General and Schools	\$.00247	\$.00322
Other	\$.00000	\$.00000

(1) Effective dates, July 1, 1997 through June 30, 1998

(2) Effective dates, July 1, 1996 through June 30, 1997

(Exh. DPU-4-1; CC Filing at 2.8)